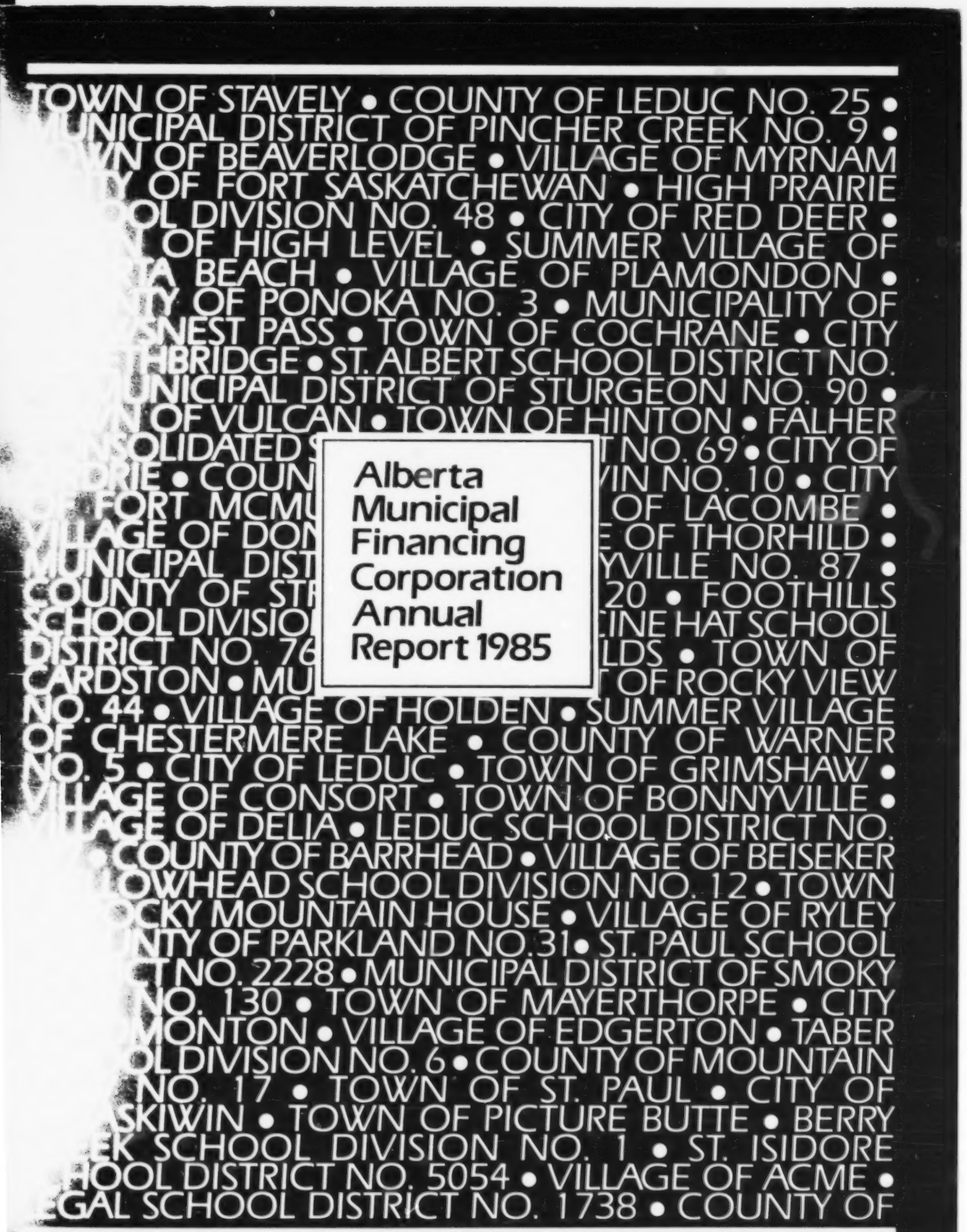
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Y OF FORT SASKATCHEWAN • HIGH PRAIRIE
OL DIVISION NO. 48 • CITY OF RED DEER •
OF HIGH LEVEL • SUMMER VILLAGE OF
A BEACH • VILLAGE OF PLAMONDON •
Y OF PONOKA NO. 3 • MUNICIPALITY OF
NEST PASS • TOWN OF COCHRANE • CITY
BRIDGE • ST. ALBERT SCHOOL DISTRICT NO.
NICIPAL DISTRICT OF STURGEON NO. 90 •
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T NO. 69 • CITY OF
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20 • FOOTHILLS
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DISTRICT NO. 76
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CARDSTON • MU
T OF ROCKY VIEW
NO. 44 • VILLAGE OF HOLDEN • SUMMER VILLAGE
OF CHESTERMERE LAKE • COUNTY OF WARNER
NO. 5 • CITY OF LEDUC • TOWN OF GRIMSHAW •
VILLAGE OF CONSORT • TOWN OF BONNYVILLE •
AGE OF DELIA • LEDUC SCHOOL DISTRICT NO.
COUNTY OF BARRHEAD • VILLAGE OF BEISEKER
OWHEAD SCHOOL DIVISION NO. 12 • TOWN
CKY MOUNTAIN HOUSE • VILLAGE OF RYLEY
NTY OF PARKLAND NO. 31 • ST. PAUL SCHOOL
T NO. 2228 • MUNICIPAL DISTRICT OF SMOKY
NO. 130 • TOWN OF MAYERTHORPE • CITY
MONTON • VILLAGE OF EDGERTON • TABER
OL DIVISION NO. 6 • COUNTY OF MOUNTAIN
NO. 17 • TOWN OF ST. PAUL • CITY OF
SKIWIN • TOWN OF PICTURE BUTTE • BERRY
EK SCHOOL DIVISION NO. 1 • ST. ISIDORE
HOOL DISTRICT NO. 5054 • VILLAGE OF ACME •
GAL SCHOOL DISTRICT NO. 1738 • COUNTY OF
Alberta
Municipal
Financing
Corporation
Annual
Report 1985

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Directors

APPOINTED

E.E. Borstad
A.F. Collins
Dr. E.J. Hanson
R.A. Splane
F.G. Stewart

M.R. Parker
Representing Class B shareholders

A.F. Womack
Representing Class C shareholders

M.J. Schmitke
Representing Class D shareholders

E. Murray
Representing Class E shareholders

Officers

A.F. Collins
President and Chairman of the Board

C.P. Hayes
Honorary Chairman

M.R. Parker
Vice-President

H.H. Strohbach
General Manager

J.D. Peters
Assistant General Manager

G.T. Dodds
Secretary-Treasurer

Offices

Sir Frederick W. Haultain Building
9811 - 109 Street
Edmonton, Alberta
T5K 0C8
Telephone (403) 427-9711

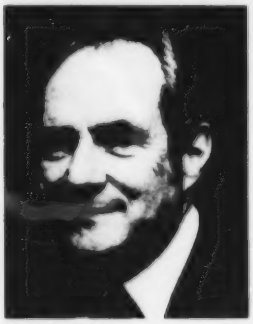
F.G. Stewart

A.F. Womack

M.R. Parker

R.A. Splane

M.J. Schmitke

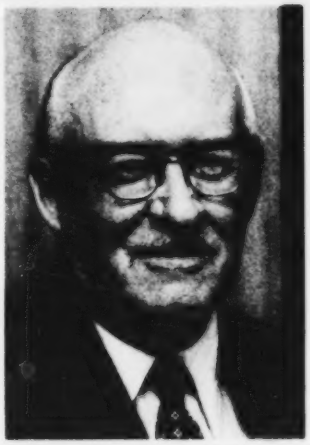

E. Murray

Dr. E.J. Hanson
1912 - 1985

E.E. Borstad

C.P. Hayes

President's Report
March 7, 1986



A.F. Collins
President and Chairman of the Board

It is a pleasure for me to review the activities of the Alberta Municipal Financing Corporation for the year 1985, the corporation's 30th year of service to Alberta municipal authorities. Over these 30 years, the corporation has provided a total of $7.6 billion in loans to local governments to assist the construction of capital projects across the Province. By making funds available on an equal opportunity basis to all local government jurisdictions, regardless of their size or location, the corporation has encouraged progress and growth in all communities, and provided benefits to people of all ages throughout the Province.

Before turning to operational matters, I want to take this opportunity to recognize the services to this organization of Mr. Fred Stewart, extending for more than a quarter of a century. He was first appointed as a director in November, 1958 and has served continuously on the Board since that date. Mr. Stewart was elected Vice-President in 1972 and served as President and Chairman of the Board from 1976 to April, 1985. He retired from these positions last April but continues as a member of the Board.

At December 31, 1985 the loan portfolio of the corporation totalled $4.956 billion compared to $4.853 billion at the end of 1984. New loans in 1985 of $338 million were partly offset by repayment of principal amounting to $235 million. The volume of new loans is expected to increase in 1986 and the corporation will likely pass the $5 billion mark in total loans outstanding sometime during this year. This is more than double the amount outstanding at the beginning of 1981. For 1986, we are forecasting that new loans will increase to about $380 million. The detail of this forecast is set out in the Schedule of Estimated Requirements on Page 4 and is based on estimates received from shareholders.

The corporation's lending rates continued to decline during 1985. For example, the rate for a 20-year term loan fell from 13 per cent at the beginning of the year to 11 per cent at year end. Because of a general trend toward lower rates, a significant number of shareholders approached the corporation to prepay debenture debt. A total of $27 million was received in early redemptions from various municipalities and school jurisdictions in 1985. This compares with 1984 pay-outs totalling $46.5 million.

In 1981 and 1982, the corporation borrowed about $1 billion from the Provincial Treasurer on a short-term basis with maturity dates between 1986 and 1989. These funds were borrowed at interest rates of between 13½ per cent and 18 per cent. Much of this money was loaned to shareholders for a 20 or 25-year term at comparatively high rates. This debt starts to mature in 1986 and if interest rates remain at present levels, substantial savings will accrue to the corporation from refinancing the debt at lower rates. Your Board of Directors will be watching this situation closely over the next two years to determine the most appropriate response.

Looking briefly at municipal financing in a national context, municipal borrowing produced gross new issues of approximately $1.0 billion in Canadian capital markets, plus an estimated $425 million issued directly to provinces and their agencies, for a total of roughly $1.4 billion. This was down from the $2.0 billion borrowed in 1984. The decline was reflected in both public and non-public markets with public issues down by about $425 million and non-public issues by about $200 million. The proportion of financing in the public market remained relatively constant at about 70%. AMFC, the primary source of funds for most Alberta municipal authorities, borrowed all of its required funds from the Canada Pension Plan Investment Fund in 1985.

Still in the national context, borrowing abroad declined to a little over $500 million in 1985 compared to $773 million in 1984 — a decline of about 36 per cent but still up from $411 million borrowed in 1983. Foreign borrowing represented about 36 per cent of the total new financing in 1985 as opposed to 39 percent in 1984. As in 1984, there was little borrowing done in

the United States. Activity was concentrated in the Eurobond market where substantial savings in borrowing costs were available.

Across Canada, a somewhat improved economic climate as well as lower inflation resulted in lower interest rates which has created a note of cautious optimism among those involved in municipal financing. However, the desire for prudence persists as shown by an increasing number of municipal authorities preferring to finance capital projects on a pay-as-you-go basis. As well, when external financing was required, distinct preferences were shown for serial issues with blended annual payments over the life of the bond rather than a single principal payment at maturity.

It is with deep regret that I report the death of Dr. Eric Hanson on December 31, 1985. Dr. Hanson was one of the interim directors of the corporation when it was first established in 1956 and served as a member of the Board continuously since that time. He served as Vice-President of the corporation from 1962 until 1972. Also, I regret to report that Mr. Elmer Borstad resigned as a director in August, 1985. Mr. Borstad was appointed a director in February, 1983. We wish him well in his retirement on Vancouver Island.

Finally, I want to express my sincere appreciation to our directors and staff for the efficient management of the affairs of the corporation over this past year.

A.F. Collins
President and Chairman of the Board

Schedule of Estimated Requirements
(thousands of dollars)

	1986 Estimated	1985 Actual	1984 Actual
By Jurisdiction			
Cities	$170,000	$174,688	$416,688
Towns	18,000	13,837	13,649
Villages	4,000	1,818	1,316
Counties, municipal districts and improvement districts	50,000	34,861	18,935
Hospital and nursing home districts	1,000	—	—
School divisions and districts	137,000	112,341	103,381
	$380,000	$337,545	$553,969
By Purpose			
Municipal	$200,000	$196,614	$435,654
Hospital	1,000	25	22
School	179,000	140,906	118,293
	$380,000	$337,545	$553,969

General Manager's Report
March 7, 1986

H.H. Strohbach
General Manager

Another significant reduction in new loans issued by the Alberta Municipal Financing Corporation took place in 1985. New loans totalled $338 million compared to the $554 million issued in 1984 — a decrease of almost 40 per cent. New loans for municipal purposes were less than half of the $436 million issued in 1984. On the other hand, the downward trend of the past two years for school purpose loans was reversed as these loans increased from $118 million in 1984 to $141 million in 1985 — a growth of almost 20 per cent.

The funds available from the Canada Pension Plan Investment Fund along with funds generated internally were sufficient to accommodate the total loan requirements of shareholders in 1985, and no new public issues were sold during the year. Borrowing from the CPP Investment Fund totalled $290.7 million in 1985 at an average interest rate of 11.64 per cent — a decrease of $47.8 million from the $338.5 million which was available in 1984. Most of this decrease seems to be attributable to a change in the timing of advances from the Fund. It is estimated that the amount available to Alberta from the CPP Investment Fund will return to about the $330 million level for 1986. The money from the CPP Investment Fund continues to be available on a 20-year term subject to early call on six months notice. The first scheduled maturity of CPP debt occurs in 1986.

The present borrowing limit of the corporation is $7 billion. This compares with present gross outstanding debt of $5.8 billion. Of this total, $3.3 billion or 57 per cent is held by the CPP Investment Fund. The corporation's historical sources of capital are summarized in the table at the end of this report.

Debt redemptions in 1985 totalled $50.0 million made up of $45 million in Canadian public issues and $5.0 million in U.S. public issues. This $45 million in Canadian issues was fully provided for in the sinking fund. The U.S. debt is retired on a serial basis with a portion of the principal paid back each year. Except for the U.S. debt, all of the corporation's debt is subject to a sinking fund provision. This fund passed the $1 billion mark in July of 1985. At year end, the fund stood at $1.127 billion compared to a balance of $951 million at December 31, 1984. Of this total, $99.9 million is in the form of Alberta Municipal Financing Corporation debentures acquired in the market.

In 1986, the corporation needs to refinance $248 million which was borrowed from the Provincial Treasurer in 1981 for a 5-year term. Only a small portion of this debt will be covered by contributions and earnings in the sinking fund at the redemption dates. If the corporation cannot refinance this debt with the Provincial Treasurer, a public issue may be necessary.

I want to take this opportunity to express my sincere appreciation to the President and Board of Directors, our staff and the many Alberta Treasury employees who have provided services to the corporation in 1985.

H.H. Strohbach
General Manager

Sources of Capital
(thousands of dollars)

	Gross Outstanding December 31, 1985	Outstanding as a Percentage of Total
Canada Pension Plan Investment Fund	$3,268,141	56.4%
Government of Alberta	1,724,000	29.8
Public:		
Canada	789,180	13.6
United States	11,823	.2
Total	$5,793,144	100.0%

How the Corporation Functions

PURPOSE
The Alberta Municipal Financing Corporation is a non-profit corporation. It assists municipal jurisdictions within the province to obtain capital funds at the lowest possible cost through access to capital markets which would not be available to them on an independent basis.

AUTHORITY
The corporation was established in 1956 under the authority of the Alberta Municipal Financing Corporation Act, being Chapter 3 of the Statutes of Alberta 1956 (R.S.A., 1980 CH. A-33).

SHAREHOLDERS
The authorized stock of the corporation consists of the following shares with a par value of $10 each:

- 4500 Class A, available only to the Crown
- 1000 Class B, available only to municipalities (defined as including municipal districts, counties, improvement districts and special areas) and to approved hospitals and hospital districts.
- 750 Class C, available only to cities
- 750 Class D, available only to towns and villages
- 500 Class E, available only to school districts and divisions.

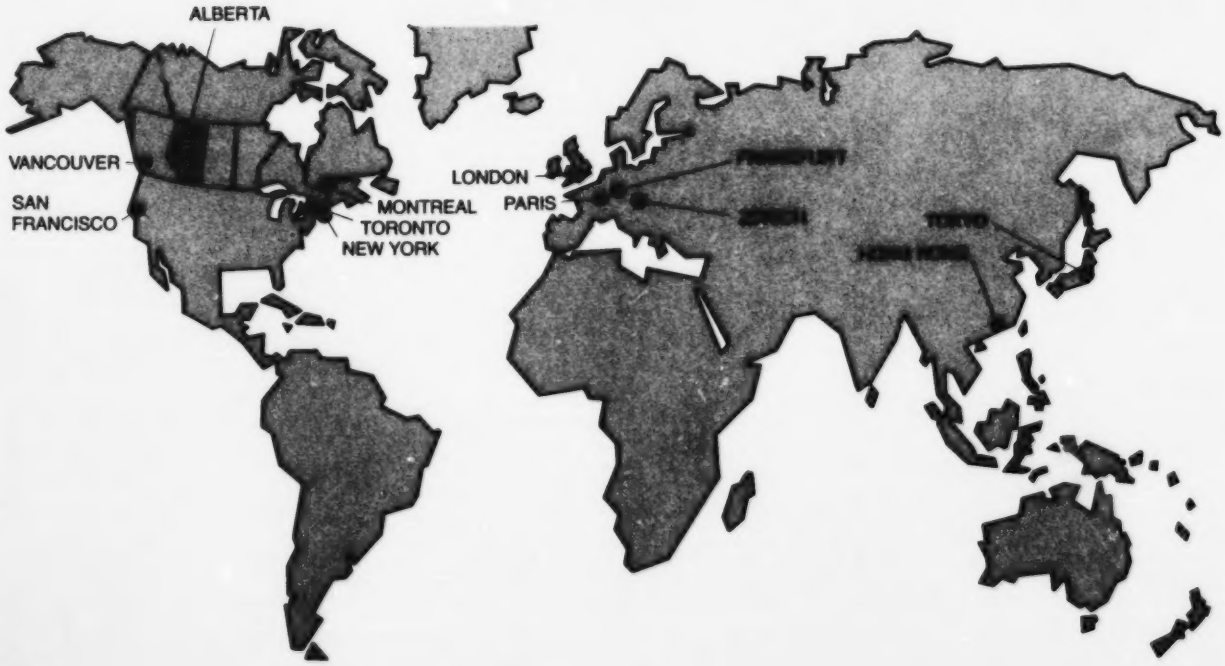
The business of the corporation is administered by a board of directors. The Lieutenant Governor in Council appoints five directors to represent the Class A common shareholder. Each of the other four classes of shareholders elects one director to the Board.

LENDING POLICIES
The by-laws of the corporation presently in force provide that applications for loans from the corporation must be accompanied by audited financial statements of the applicant, as well as a detailed estimate of the cost of the capital project for which the funds are required.

All applications, except those for hospital purposes, must have the approval of the Local Authorities Board of the province as evidence that the applicant has satisfied the provisions of provincial legislation related to the borrowing. Maximum terms of loans for various projects are prescribed in the by-law relating to the terms and conditions for lending money to shareholders.

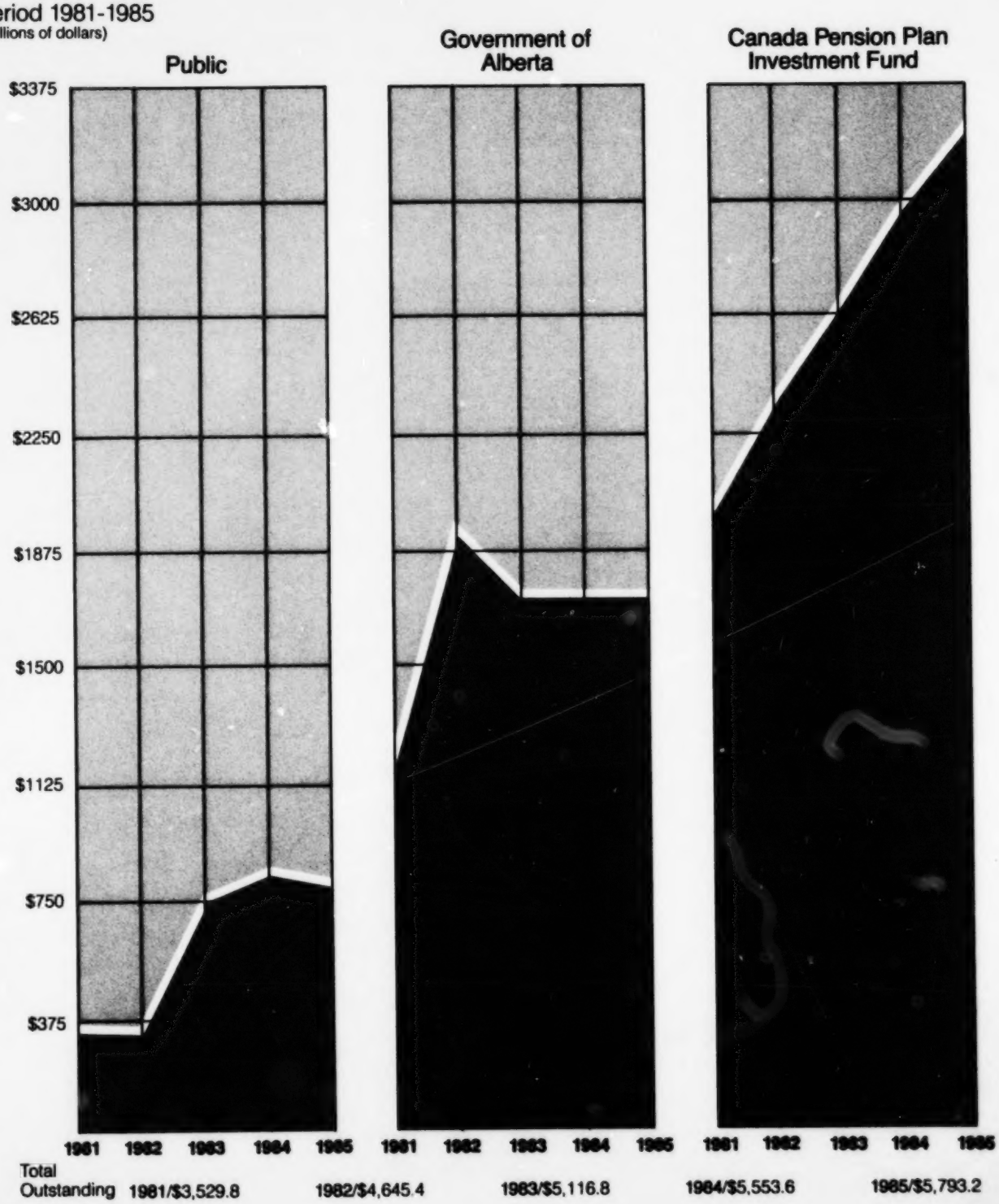
Funds are paid to borrowers in exchange for debentures. Loans to municipal and hospital authorities are secured by debentures repayable in equal annual instalments of blended principal and interest. Loans for school purposes are secured by debentures repayable in equal annual instalments of principal plus interest.

FINANCING
The corporation issues various debt obligations to obtain the funds necessary to finance loan requirements. These obligations of the corporation carry the unconditional guarantee of the Province of Alberta.



Analysis of Outstanding Debt

For the Five-Year Period 1981-1985
(millions of dollars)



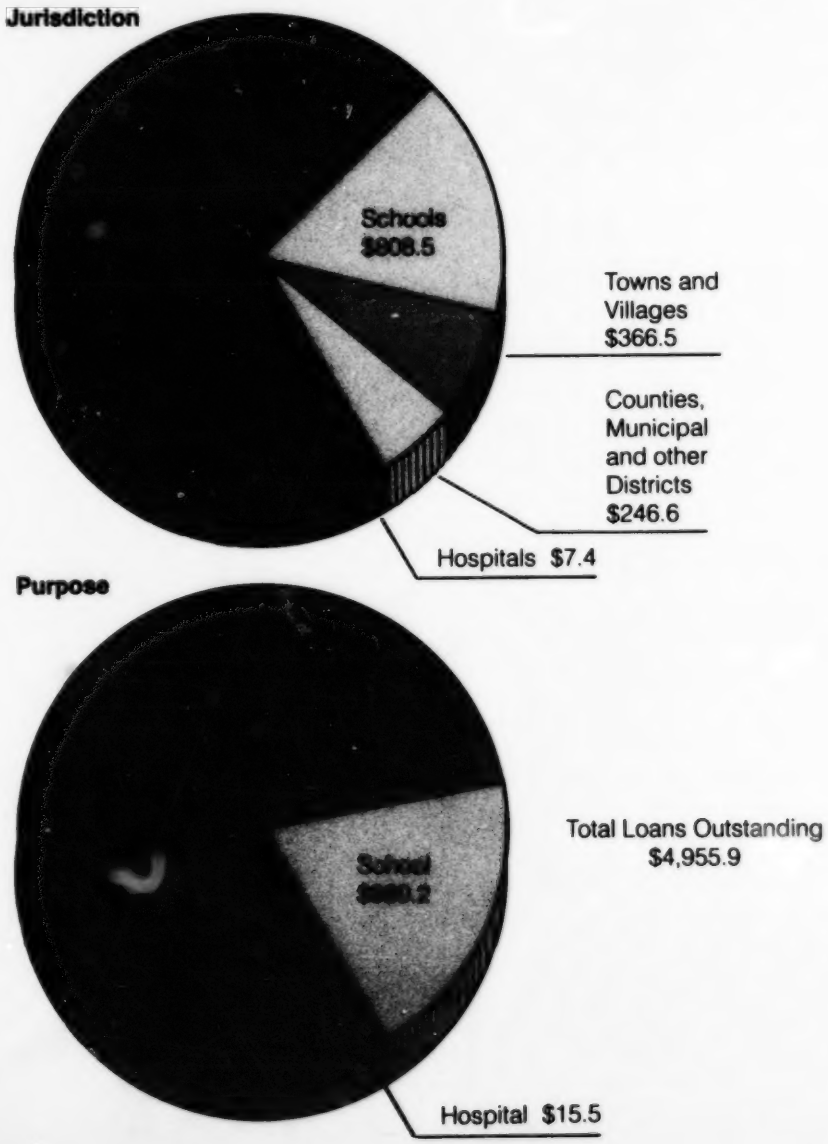
Analysis of New Loans Issued

By Jurisdiction and Purpose
For the Year Ended December 31, 1985
(thousands of dollars)

	Cities	Towns	Villages	Other	Total
Sewer and water	$ 49,661	$ 8,063	$1,119	$ 6,296	$ 65,139
Roads and sidewalks	23,653	4,476	699	—	28,828
Transit	46,000	—	—	—	46,000
Land	1,555	75	—	—	1,630
Municipal buildings	27,237	69	—	—	27,306
Equipment and machinery	520	253	—	—	773
Utilities	25,227	246	—	—	25,473
Parks and recreation	835	630	—	—	1,465
Hospitals and nursing homes	—	25	—	—	25
Schools	—	—	—	140,906	140,906
Total	$174,688	$13,837	$1,818	$147,202	$337,545

Outstanding Loans

By Jurisdiction and Purpose
As at December 31, 1985
(in millions of dollars)



Schedule of Loans Outstanding

By Jurisdiction and Purpose
As at December 31, 1985
(thousands of dollars)

	Principal Outstanding Dec. 31, 1984	New Loans Issued	Principal Repaid	Principal Outstanding Dec. 31, 1985
By Jurisdiction				
Cities:				
Airdrie	$ 10,862	$ 500	$ 291	$ 11,071
Calgary	1,495,187	80,000	45,386	1,529,801
Camrose	17,628	290	561	17,357
Drumheller	9,682	489	365	9,806
Edmonton	1,599,714	85,000	77,143	1,607,571
Fort McMurray	17,963	846	1,237	17,572
Fort Saskatchewan	10,855	57	313	10,599
Grande Prairie	59,307	—	1,561	57,746
Leduc	15,472	495	549	15,418
Lethbridge	52,464	3,161	2,890	52,735
Lloydminster	21,822	335	576	21,581
Medicine Hat	61,813	1,720	14,678	48,855
Red Deer	75,309	1,383	2,296	74,396
St. Albert	39,356	99	699	38,756
Wetaskiwin	13,870	313	517	13,666
Total Cities	3,501,304	174,688	149,062	3,526,930
Towns	330,461	13,837	18,323	325,975
Villages	40,552	1,818	1,820	40,550
Counties — School	150,412	28,565	9,299	169,678
— Other	47,867	5,772	4,622	49,017
Municipal districts	5,812	524	217	6,119
Improvement districts	5,238	—	74	5,164
Irrigation and water services	17,716	—	1,155	16,561
Hospitals	8,132	—	706	7,426
School districts and divisions	745,745	112,341	49,597	808,489
	$4,853,239	$337,545	$234,875	$4,955,909
By Purpose				
Municipal	$3,938,249	$196,614	$174,689	$3,960,174
Hospital	16,638	25	1,136	15,527
School	898,352	140,906	59,050	980,208
	$4,853,239	$337,545	$234,875	$4,955,909

Ten-Year Review: 1976 - 1985

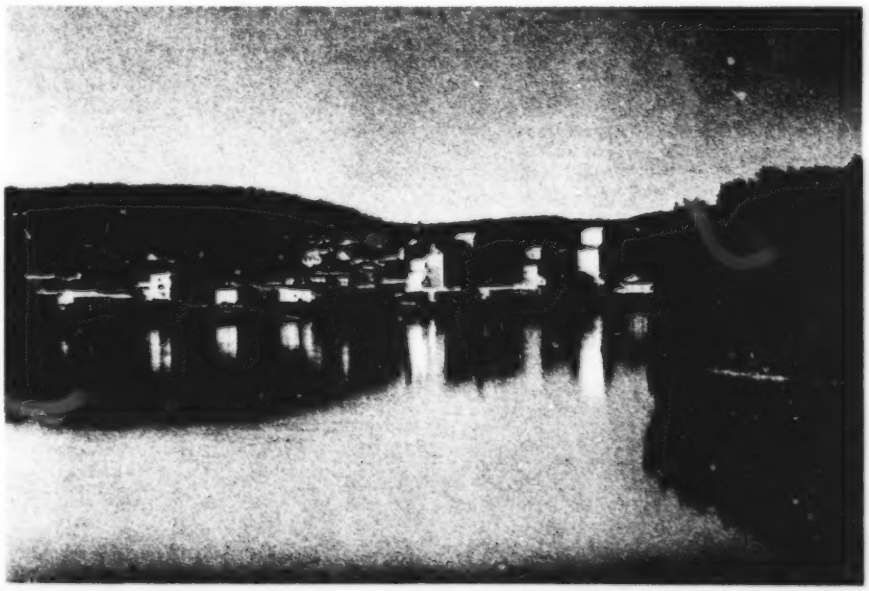
(thousands of dollars)

New loans issued during year:	1985	1984	1983
By jurisdiction:			
Cities	$ 174,688	$ 416,688	$ 402,621
Towns and villages	15,655	14,965	31,666
County, municipal and other districts	34,861	18,935	35,873
Hospitals	—	—	2,359
School divisions and districts	112,341	103,381	149,677
Total	**337,545**	**553,969**	**622,196**
By purpose:			
Municipal	196,614	435,654	444,417
Hospital	25	22	2,978
School	140,906	118,293	174,801
Total	**337,545**	**553,969**	**622,196**
Loans repaid during year	234,875	229,119	211,226
New debt issues sold during year	290,742	488,491	748,582
Outstanding debenture debt at December 31	5,793,144	5,553,558	5,116,788
Sinking fund assets at December 31	1,126,810	951,144	797,845
Retained earnings at December 31	429,207	355,686	290,699
Lending rate at December 31 (based on 20-year term)	11%	13 ⅛%	12 ⅝%

Town of COLD LAKE

1982	1981	1980	1979	1978	1977	1976
$ 858,068	$ 582,833	$ 521,309	$ 333,727	$ 267,327	$ 239,524	$ 204,086
62,884	99,429	94,039	89,837	62,036	52,134	56,003
40,853	49,172	47,306	18,206	14,820	12,975	15,895
800	4,715	19,275	74,316	51,686	25,462	35,522
157,183	107,726	60,734	41,893	22,980	37,258	39,595
1,119,788	**843,875**	**742,663**	**557,979**	**418,849**	**367,353**	**351,101**
913,450	688,728	639,491	432,637	336,457	294,856	263,716
19,332	8,715	19,275	76,316	53,808	27,956	43,522
187,006	146,432	83,897	49,026	28,584	44,541	43,863
1,119,788	**843,875**	**742,663**	**557,979**	**418,849**	**367,353**	**351,101**
118,398	101,582	400,710	669,655	91,227	76,794	62,900
1,116,673	844,111	676,439	461,392	469,576	343,413	422,179
4,645,360	3,529,752	2,693,913	2,338,364	2,407,159	2,047,806	1,714,167
668,897	480,475	405,756	359,266	329,917	271,432	223,546
233,968	128,105	121,928	102,919	103,787	83,173	64,353
13 ¼%	16 ½%	13 ¾%	12%	10 ⅜%	9 ¼%	10%

Town of ATHABASCA



ALBERTA
LEGISLATURE

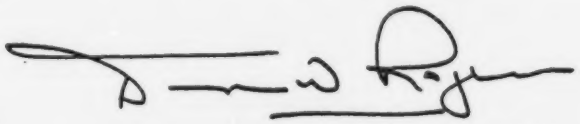
OFFICE OF THE AUDITOR GENERAL

Auditor's Report

To the Shareholders
of the Alberta Municipal Financing Corporation

I have examined the balance sheet of the Alberta Municipal Financing Corporation as at December 31, 1985 and the statements of revenue, expenditure and sinking fund earnings, retained earnings, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.



F.C.A.
Auditor General

Edmonton, Alberta
March 7, 1986

Balance Sheet
As at December 31, 1985
(thousands of dollars)

	1985	1984
Assets		
Cash	**$ 23,972**	$ 7,280
Accrued interest receivable	**241,038**	228,604
Loans to municipal authorities	**4,955,909**	4,853,239
	$5,220,919	$5,089,123
Liabilities and Shareholders' Equity		
Liabilities:		
Short-term note payable to the Provincial Treasurer	**$ —**	$ 14,694
Accrued interest payable	**141,671**	136,506
Net debenture debt (Schedule 1 and Notes 3 and 4)	**4,649,978**	4,582,174
	4,791,649	4,733,374
Shareholders' Equity:		
Share capital: (Note 5)		
Authorized: 7,500 common shares, par value $10 per share		
Issued and fully paid:		
1985 — 6,374 shares (1984 — 6,342 shares)	**63**	63
Retained earnings	**429,207**	355,686
	429,270	355,749
	$5,220,919	$5,089,123

The accompanying notes are part of these financial statements.

Statement of Revenue Expenditure and Sinking Fund Earnings

For The Year Ended December 31, 1985
(thousands of dollars)

	1985	1984
Revenue:		
Interest on loans	**$657,770**	$614,507
Interest on deposits	**1,761**	2,653
Fees on loan prepayments	**3,535**	1,547
Gains on redemption of debenture debt	**336**	392
	663,402	619,099
Expenditure:		
Interest on debentures	**693,186**	644,396
Amortization of debenture discount	**3,884**	3,664
Interest on short-term notes	**8,716**	2,063
Exchange losses on debenture debt	**754**	731
Administration and office expense	**316**	297
Debt services charges	**79**	117
Public debenture issue expense	**—**	43
Directors' and officers' fees and expenses	**11**	15
	706,946	651,326
Operating income (loss)	**(43,544)**	(32,227)
Sinking fund:		
Net earnings	**117,065**	97,214
Excess of revenue and sinking fund earnings over expenditure	**$ 73,521**	$ 64,987

Statement of Retained Earnings

For The Year Ended December 31, 1985
(thousands of dollars)

	General Fund	Sinking Fund	1985 Total	1984 Total
Balance at beginning of year	$(595,458)	$ 951,144	**$355,686**	$290,699
Operating income (loss)	(43,544)	—	**(43,544)**	(32,227)
Sinking fund earnings	—	117,065	**117,065**	97,214
Sinking fund contributions	(103,601)	103,601	**—**	—
Transfers on debt retirement	45,000	(45,000)	**—**	—
Balance at end of year	$(697,603)	$1,126,810	**$429,207**	$355,686

Statement of Changes in Financial Position

For The Year Ended December 31, 1985
(thousands of dollars)

	1985	1984
Funds were provided from:		
Debenture debt issues:		
Canada Pension Plan Investment Fund	**$290,742**	$338,491
Public	**—**	150,000
Loan repayments	**234,875**	229,119
Transfers from sinking fund on debt retirement (Schedule 2)	**45,000**	40,000
	570,617	757,610
Funds were applied to:		
Operating loss	**43,544**	32,227
Add (deduct) non-cash items:		
Gain on redemption of debenture debt	**336**	392
Amortization of debenture discount	**(3,884)**	(3,664)
Increase in accrued interest (net)	**7,269**	5,727
Funds applied to operations	**47,265**	34,682
New loans	**337,545**	553,969
Redemption of debenture debt	**50,820**	51,329
Discount on sale of debentures	**—**	1,875
Contributions to the sinking fund (Schedule 2)	**103,601**	96,085
	539,231	737,940
Net increase in cash and short-term borrowings	**$ 31,386**	$ 19,670
Represented by:		
Net increase in cash	**$ 16,692**	$ 2,364
Decrease in short-term notes payable to the Provincial Treasurer	**14,694**	17,306
	$ 31,386	$ 19,670

Notes to the Financial Statements
December 31, 1985

Note 1 **Authority**

The Alberta Municipal Financing Corporation operates under the authority of the Alberta Municipal Financing Corporation Act, Chapter A-33, Revised Statutes of Alberta 1980, as amended.

Note 2 **Significant Accounting Policies and Reporting Practices**

(i) These financial statements have been prepared in accordance with generally accepted accounting principles except as follows:

(a) Bonds, debentures, mortgages, bond coupons and residuals and mid-term money market securities are carried at cost adjusted for deferred unamortized realized gains and losses.

Realized gains and losses on disposals of these investments are considered to be an adjustment of future portfolio yield and are deferred and amortized on a straight line basis over the lesser of the remaining term to maturity of the investment disposed of or ten years.

(ii) Other significant accounting policies are as follows:

(a) Short-term money market securities are carried at cost.

Realized gains and losses on disposals of short-term money market securities are included in the determination of net income.

(b) The cost of investments includes the amount of applicable amortization of discount or premium using the straight line method over the life of the investments.

The cost of investments disposed of is determined on the average cost basis.

(c) Debenture debt, cash, accrued interest, short-term money market securities and accounts payable denominated in foreign currency are translated at the rate of exchange in effect at the balance sheet date. Investments, other than short-term money market securities, and revenue items are translated at historical exchange rates.

Gains and losses arising from the translation of foreign currencies are included in the determination of net income except:

(i) unrealized exchange gains or losses relating to hedged debenture debt which are deferred until the debt is extinguished, and unrealized exchange gains or losses relating to unhedged debenture debt which are deferred and amortized over the remaining life of the debt, and

(ii) unrealized exchange gains or losses relating to hedged monetary assets which are deferred.

(d) Debenture discount, including underwriting commission, arising on the issue of debenture debt is deferred and amortized over the term of the debt. Public debenture issue expenses are charged against income as they arise.

(e) On redemption of each debenture debt issue, the accumulated contributions from the general fund together with related accumulated earnings are transferred from the sinking fund to the general fund.

Note 3 **Debenture Debt**

(a) The debenture debt of the corporation is fully guaranteed by the Province of Alberta.

(b) Debentures amounting to $3,268,141,000 held by the Canada Pension Plan Investment Fund are redeemable at the option of the Minister of Finance of Canada by giving six months notice in writing to the Provincial Treasurer and observing the other redemption provisions of the debentures.

Note 4 **Commitments** (thousands of dollars)

The payments required to meet sinking fund and debenture redemption requirements during each of the next five years are as follows:

	Sinking Fund	Debenture Redemption	Total
1986	$105,176	$ 224,368	$ 329,544
1987	95,834	488,634	584,468
1988	87,472	145,329	232,801
1989	84,905	210,593	295,498
1990	79,614	18,399	98,013
	$453,001	$1,087,323	$1,540,324

Note 5 **Share Capital**

Particulars of share capital are summarized hereunder:

Class	Restricted to	Number of shares Authorized	Number of shares Issued and Fully Paid	Total Dollar Amount
A	Provincial Treasurer	4,500	4,500	$45,000
B	Municipalities and hospitals	1,000	849	8,490
C	Cities	750	573	5,730
D	Towns and villages	750	314	3,140
E	Schools	500	138	1,380
		7,500	6,374	$63,740

3 Class B shares and 30 Class C shares were issued during the year at $10.00 each. 1 Class B share was redeemed and 4 shares were transferred from Class D to Class C.

Note 6 **Approval of Financial Statements**

These financial statements have been approved by management.

Schedule of Net Debenture Debt

As at December 31, 1985
(thousands of dollars)

Date of Issue	Maturity Date	Interest Rate	Original Issue	Principal Outstanding	Deduct Sinking Fund Assets (Schedule 2)	Net Debenture Debt
Provincial Treasurer						
Sep 01, 1981	Sep 01, 1986	16.00%	$ 78,000	$ 78,000	$ 8,016	$ 69,984
Oct 15, 1981	Oct 15, 1986	18.00	100,000	100,000	10,277	89,723
Dec 01, 1981	Dec 01, 1986	15.875	70,000	70,000	7,194	62,806
May 03, 1982	May 03, 1987	15.75	40,000	40,000	2,848	37,152
Jun 15, 1982	Jun 15, 1987	15.375	50,000	50,000	3,560	46,440
Aug 03, 1982	Aug 03, 1987	16.875	70,000	70,000	4,984	65,016
Sep 01, 1982	Sep 01, 1987	15.50	210,000	210,000	14,953	195,047
Sep 15, 1981	Sep 15, 1987	16.25	85,000	85,000	8,735	76,265
Nov 16, 1981	Nov 16, 1987	17.25	86,000	86,000	8,838	77,162
Mar 01, 1982	Mar 01, 1988	16.00	110,000	110,000	7,832	102,168
Jul 15, 1981	Jul 15, 1988	16.00	45,000	45,000	4,625	40,375
Nov 01, 1982	Nov 01, 1989	13.50	150,000	70,000	4,984	65,016
Nov 01, 1979	Nov 01, 1999	11.70	70,000	70,000	12,576	57,424
Mar 03, 1980	Mar 03, 2000	13.45	35,000	35,000	4,905	30,095
Jul 02, 1980	Jul 03, 2000	11.75	30,000	30,000	4,205	25,795
Aug 15, 1980	Aug 15, 2000	13.20	35,000	35,000	4,905	30,095
Nov 17, 1980	Nov 17, 2000	13.75	75,000	75,000	10,511	64,489
Dec 01, 1980	Dec 01, 2000	13.65	50,000	50,000	7,008	42,992
Dec 17, 1979	Dec 15, 2000	11.85	70,000	70,000	14,583	55,417
Dec 15, 1980	Dec 15, 2000	13.60	155,000	155,000	19,717	135,283
Mar 02, 1981	Mar 02, 2001	14.10	30,000	30,000	3,083	26,917
Jun 15, 1981	Jun 15, 2001	16.25	85,000	85,000	8,735	76,265
Oct 01, 1980	Oct 01, 2001	13.66	75,000	75,000	10,511	64,489
Total				1,724,000	187,585	1,536,415
Canada Pension Plan Investment Fund (Note 3 (b))						
Dec 01, 1966	Dec 01, 1986	5.44	40,764	40,764	40,764	—
Dec 01, 1967	Nov 01, 1987	5.57	55,194	55,194	51,201	3,993
Dec 02, 1968	Nov 04, 1988	6.56	65,019	65,019	54,561	10,458
Dec 01, 1969	Nov 03, 1989	7.32	76,618	76,618	57,906	18,712
Dec 01, 1970	Nov 02, 1990	8.06	78,282	78,282	53,041	25,241
Dec 01, 1971	Nov 01, 1991	7.18	92,130	92,130	55,696	36,434
Dec 15, 1972	Jun 01, 1992	7.13	54,599	54,599	29,294	25,305
Dec 15, 1973	Sep 04, 1993	7.44	85,433	85,433	40,440	44,993
Nov 15, 1974	Oct 01, 1994	8.34	98,318	98,318	40,776	57,542
Nov 14, 1975	Oct 01, 1995	8.79	137,694	137,694	49,629	88,065
Oct 15, 1976	Sep 01, 1996	9.06	140,685	140,685	43,645	97,040
Oct 14, 1977	Sep 01, 1997	9.06	163,457	163,457	43,136	120,321
Oct 16, 1978	Sep 01, 1998	9.31	176,645	176,645	39,059	137,586
Nov 15, 1979	Oct 01, 1999	10.04	219,206	219,206	39,383	179,823
Nov 14, 1980	Oct 01, 2000	12.35	222,367	222,367	31,165	191,202
Sep 15, 1981	Aug 01, 2001	14.18	216,739	216,739	19,490	197,249
Jun 01, 1982	Jun 01, 2002	15.75	274,735	274,735	17,117	257,618
Apr 05, 1983	Apr 05, 2003	13.82	209,284	209,284	12,687	196,597
Dec 01, 1983	Dec 01, 2003	11.50	231,739	231,739	9,002	222,737
Dec 03, 1984	Dec 03, 2004	13.25	338,491	338,491	6,159	332,332
Nov 01, 1985	Nov 01, 2005	11.66	283,604	283,604	—	283,604
Dec 02, 1985	Dec 02, 2005	10.80	7,138	7,138	—	7,138
Total				3,268,141	734,151	2,533,990

Date of Issue	Maturity Date	Interest Rate	Original Issue	Principal Outstanding	Deduct Sinking Fund Assets (Schedule 2)	Net Debenture Debt
Public, payable in Canadian dollars						
Nov 01, 1963	Nov 01, 1986	5.50	25,000	25,000	25,000	—
Jun 15, 1965	Jun 15, 1987	5.25	25,000	25,000	25,000	—
Aug 15, 1984	Aug 15, 1989	13.50	150,000	150,000	3,204	146,796
Nov 01, 1969	Nov 01, 1989	8.00	15,000	56	56	—
Nov 15, 1966	Nov 15, 1989	6.25	25,000	25,000	25,000	—
Jun 01, 1970	Jun 01, 1990	8.625	28,000	2,124	1,751	373
Jun 15, 1966	Jun 15, 1991	5.75	25,000	25,000	25,000	—
May 15, 1967	May 15, 1992	6.00	35,000	35,000	32,994	2,006
Mar 15, 1968	Mar 15, 1993	7.25	52,000	52,000	44,362	7,638
Jan 18, 1983	Dec 15, 2002	12.25	450,000	450,000	22,707	427,293
Total				789,180	205,074	584,106
Public, payable in United States dollars						
Nov 15, 1962	Nov 15, 1987	5.00	25,000 U.S.	4,709	—	4,709
Dec 15, 1964	Dec 15, 1989	4.625	25,000 U.S.	8,732	—	8,732
				13,441		13,441
Less deferred exchange losses				1,618	—	1,618
Total				11,823	—	11,823
				5,793,144	1,126,810	4,666,334
Less unamortized debenture discount				16,356	—	16,356
				$5,776,788	$1,126,810	$4,649,978

Schedule of Sinking Fund Assets

December 31, 1985

(thousands of dollars)

	Par Value	Book Value	Market Value
Investments:			
Bonds and debentures:			
Government of Canada, direct and guaranteed	$ 503,550	$ 506,586	$ 550,470
Provincial, direct:			
— Alberta	10,939	10,931	10,414
— Other	42,090	41,668	45,230
Provincial, guaranteed:			
— Alberta Municipal Financing Corporation	99,888	91,643	90,259
— Other Alberta	31,211	30,926	29,628
— Other	42,285	40,791	41,851
Corporate	76,700	76,722	82,633
Corporate, convertible	2,050	1,912	2,049
Municipal	12,000	11,954	13,128
Mid-term money market securities:			
Notes	9,000	8,988	9,360
Certificates of deposit	13,000	12,996	13,189
United States Treasury notes	34,213	31,470	35,122
Mortgages	9,257	9,257	9,981
Bond coupons and residuals:			
Government of Canada, direct		134,189	138,057
Deferred unamortized realized gains and losses		(6,822)	—
		1,003,211	1,071,371
Short-term money market securities: [a]			
Treasury bills		19,219	19,219
Total		1,022,430	1,090,590
Other Assets: [a]			
Cash		85,079	85,079
Accrued interest receivable		19,301	19,301
Total		104,380	104,380
Total 1985		$1,126,810	$1,194,970
Total 1984		$ 951,144	$ 954,272

The net increase in sinking fund assets for the year ended December 31, 1985 amounting to $175,666 was financed as follows:

Contributions from the general fund	$ 103,601
Sinking fund earnings	117,065
Transfers to the general fund on debt retirement	(45,000)
	$ 175,666

[a] Market value is deemed to be book value.